PRELIMINARY REPORT ON FACULTY SALARIES AND RELATED MATTERS

1983-84

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

PRELIMINARY REPORT ON FACULTY SALARIES AND RELATED MATTERS, 1983-84

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

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INTRODUCTION

Annually, in accordance with Senate Concurrent Resolution No. 51 of the 1965 General Legislative Session (reproduced in Appendix A), the University of California and the California State University submit to the Commission data on faculty salaries and the employer's cost of fringe benefits for their respective segments and for a group of comparison institutions listed in Appendix B. On the basis of these data, Commission staff estimates the percentage changes in salaries and employer contributions for fringe benefits required to attain parity with comparison group averages in the forthcoming fiscal year. The methodology by which these data are collected and analyzed (shown in Appendix C) has been designed by the Commission in consultation with the two segments, the Department of Finance, and the Office of the Legislative Analyst. Commission staff reviews the data and prepares two reports--this preliminary report in the fall and a final report in the spring. Both are transmitted to the Governor, the Legislature, and appropriate officials.

PURPOSE OF THE REPORT

Originally, the preliminary report was designed to assist the Department of Finance in preparing salary recommendations for the Governor's Budget which is normally presented to the Legislature in January. In the past three years, however, the Governor has not recommended a specific cost-of-living adjustment for faculty or other State employees, preferring instead to negotiate a figure with the Legislature during the later stages of the budget process, normally in June. The preliminary report has therefore diminished in impact with the final report becoming the document garnering the greater attention from policy makers. Accordingly, this preliminary report, while continuing to present comparison-institution figures, offers less supplementary data and information than in previous years. It consists of this introductory chapter, a brief discussion of faculty salary increases nationally and the economic factors facing California in the coming fiscal year (Chapter One), the comparison-institution data for salaries (Chapter Two), the cost of fringe benefits (Chapter Three), and a summary of findings and conclusions (Chapter Four).

HISTORY OF THE SALARY REPORTS

The impetus for the faculty salary reports came from the Master Plan Survey Team in 1960, which recommended that:

> 3. Greatly increased salaries and expanded fringe benefits, such as health and group life insurance, leaves, and travel funds to attend professional meetings, housing, parking and moving expenses, be provided for faculty members in order to make college and university teaching attractive as compared with business and industry.
>
> . . .
>
> 8. Because of the continual change in faculty demand and supply, the coordinating agency annually collect pertinent data from all segments of higher education in the state and thereby make possible the testing of the assumptions underlying this report (Master Plan Survey Team, 1960, p. 12).

For four years thereafter, the Legislature continually sought information regarding faculty compensation, information which came primarily from the Legislative Analyst in his Analysis of the Budget Bill and from the Coordinating Council for Higher Education in its annual reports to the Governor and the Legislature on the level of support for public higher education. While undoubtedly helpful to the process of determining faculty compensation levels, these reports were considered to be insufficient, especially by the Assembly, which consequently asked the Legislative Analyst to prepare a specific report on the subject (House Resolution No. 250, 1964 First Extraordinary Session; reproduced in Appendix D).

Early in the 1965 General Session, the Legislative Analyst presented his report and recommended that the process of developing data for use by the Legislature and the Governor in determining faculty compensation be formalized. This recommendation was embodied in Senate Concurrent Resolution No. 51 (Appendix A), which specifically directed the Coordinating Council to prepare an annual report in cooperation with the University of California and the then California State Colleges.

Since that time, the Coordinating Council and, subsequently, the Commission, have submitted reports to the Governor and the Legislature. Until 1973, only one report was submitted annually, but since then two have been issued each year. In each of these reports, the principal feature has been the comparison of salaries and the cost of fringe benefits in California institutions with those in other colleges and universities around the country.

In addition to the comparison-institution data for the four-year segments, since 1979 the Legislature has asked the Commission to include data in the final report on matters related to faculty salaries at the University and State University. In 1979, the Legislative Analyst recommended and the Legislature agreed that Community College faculty salaries should be surveyed. Subsequently, each year's final report has included Community College data and will again for 1983-84. Other areas included in recent years are medical faculty salaries at the University of California (since 1979) and administrators' salaries (since 1982). These two features will also be included in the 1983 final report.

In the late 1970s, the reports were also broadened considerably to encompass concerns beyond mere parity within the academic community. Inflation was running at double-digit or near double-digit levels for many of these years--particularly the years 1978 through 1981, when the Consumer Price Index fluctuated between 9.0 and 13.6 percent--and substantial evidence was collected which showed that the entire academic community was losing purchasing power each year. Reports from the American Association of University Professors (AAUP) and other groups and individuals with competence in college and university finance tracked this decline in faculty real income, and many of them strongly recommended that a strict comparison approach was inequitable at a time when the entire community used for the comparison was suffering through a severe recession.

The Commission's approach to this problem was cautious but not unsympathetic. Several of the salary reports submitted to State officials during this time pointed out that inflation is cyclical in nature and that the abandonment of a comparison approach in favor of one designed to maintain parity vis-a-vis any of a number of price indexes might not serve either higher education or public officials in the long run. At some future time, it was argued, inflation may be sharply reduced and higher education commence another era of prosperity similar to that experienced in the 1960s, when both salary and overall budgetary increases consistently exceeded the rise in prices. Should that occur, the comparison approach might once more be seen as more equitable than the reliance on indexes alone.

Because of this problem, it was decided to include a substantial amount of economic data in the salary reports but to continue reporting comparison information survey results as the centerpiece. Accordingly, a significant number of cost-of-living statistics from both the Department of Labor and the Department of Commerce were included, as well as comparison data which indicated how faculty had fared relative to other occupations where one or more college degrees were virtually mandatory credentials for entry. These surveys tended to confirm a loss in purchasing power for faculty.

Another difficulty, although of more recent vintage, was the increasing competition from business and industry for the most talented young minds, particularly but not exclusively in technical fields such as engineering and computer science. Evidence of this phenomenon was difficult to accumulate since the people who needed to be interviewed had elected to work in industry and could not easily be contacted by higher education researchers. Nevertheless, some salary comparisons were made between the campus and the business environment which showed substantial salary disparities, and a large amount of anecdotal evidence was collected which indicated a serious recruiting problem. In several recent salary reports, the Commission discussed this problem and noted that some corrective action was probably warranted. Both the University of California and the California State University have made adjustments in their salary schedules and policies in an attempt to correct the problem, but it remains to be seen how effective these changes will be. A full discussion of the issue will be included in the Commission's final salary report for 1983-84 in the spring, a report which will be the seventeenth in the series.

CHAPTER ONE

SALARY ECONOMICS: CURRENT AND PROSPECTIVE

A word that has found increasing usage in higher education circles is uncertainty, and it is true that uncertainty clouds both the economic future of California and the prospects for faculty salary increases in 1983-84. Clearly, the two are intimately related, for it is a truism of public finance that a lethargic economy produces far less revenue for all public purposes than a vibrant one. No greater example of this fact can be found than the 1982-83 fiscal year, when large deficits in the State budget necessitated severe reductions in several State agencies and the denial of all cost-of-living increases for State employees, including faculty. Fortunately, sufficient funds were identified to permit an enrichment of fringe benefits which increased take-home pay, but the absence of a general salary increase certainly caused an overall reduction in real income. At present, it seems clear that California's budget crisis is far from over, and it seems probable that salary increases will be at least as difficult to achieve in 1983-84 as they were in the current year.

NATIONAL TRENDS

Tables and Figures 1 and 2 show trends in inflation nationally since 1972. As indicated by Table 2, the inflation rate has declined during the past few years from its high point during the 1979-80 fiscal year of 13.3 percent. In the current year, it is projected that this rate in the Consumer Price Index (CPI) will decline still further, an event precipitated by the current recession. Following that index, the Implicit Price Deflator for Personal Consumption Expenditures (PCE) will also decline, and the California CPI will mirror the national pattern. Because of this slowing of price increases, the AAUP announced in its 1982 *Annual Report on the Economic Status of the Profession* that nationally, faculty held their own in comparison to the CPI for the first time since 1972-73, showing an increase in real income of 0.3 percent. During this nine-year period, faculty in the approximately 2,500 institutions which report data to the AAUP showed a loss in real income of 21.1 percent.

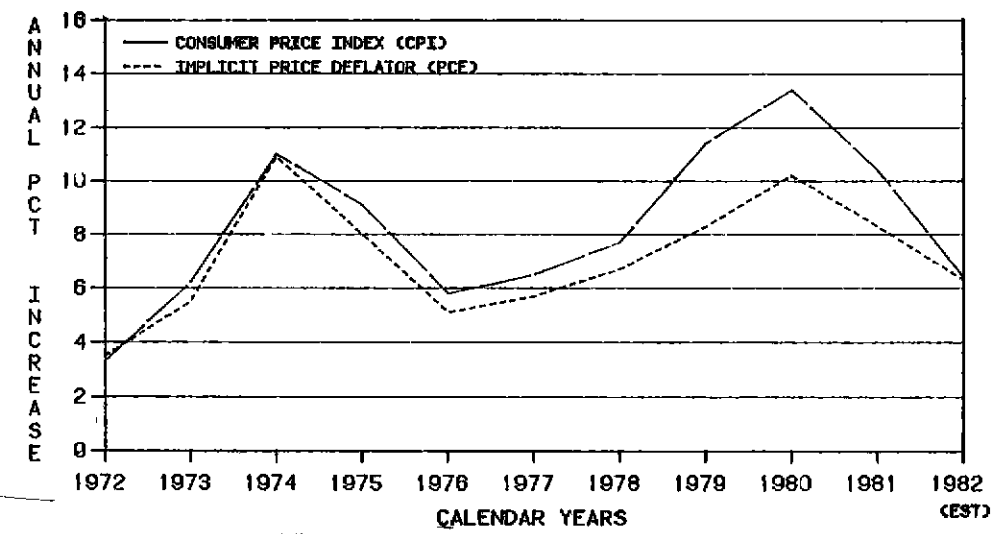
In noting the national increase in real income for faculty, the AAUP issued a strong caution for the current year, and by inference, the 1983-84 fiscal year as well (American Association of University Professors, 1982, p. 3):

TABLE 1 Comparison Between the Consumer Price Index and the Implicit Price Deflator for Personal Consumption Expenditures, 1972 to 1982

Year	United States Consumer Price Index	Implicit Price Deflator for Personal Consumption Expenditures
1972	3.3%	3.5%
1973	6.2	5.5
1974	11.0	10.9
1975	9.1	8.0
1976	5.8	5.1
1977	6.5	5.7
1978	7.7	6.7
1979	11.4	8.3
1980	13.4	10.2
1981	10.4	8.3
1982 (est.)	6.4	6.3

Sources: For U.S. Consumer Price Index, U.S. Department of Labor, Economic Indicators, 1976-1982; for Implicit Price Deflator, U.S. Department of Commerce, Commerce News, 1974-1982.

FIGURE 1 Calendar Year Changes in the U.S. Consumer Price Index and the Implicit Price Deflator for Personal Consumption Expenditures, 1972 to 1982



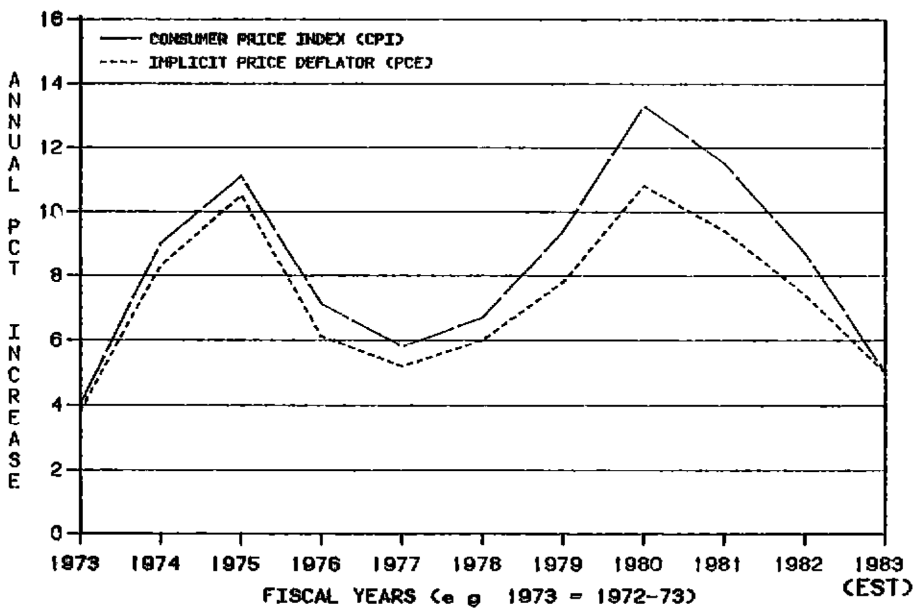
Source: Same as Table 1.

TABLE 2 Comparison Between the Consumer Price Index and the Implicit Price Deflator for Personal Consumption Expenditures, 1972-73 to 1982-83

Year	United States Consumer Price Index	Implicit Price Deflator for Personal Consumption Expenditures
1972-73	4.0%	3.8%
1973-74	9.0	8.3
1974-75	11.1	10.5
1975-76	7.1	6.1
1976-77	5.8	5.2
1977-78	6.7	6.0
1978-79	9.4	7.8
1979-80	13.3	10.8
1980-81	11.5	9.4
1981-82	8.7	7.4
1982-83 (est.)	5.0	5.0

Source: Same as Table 1.

FIGURE 2 Fiscal Year Changes in the U.S. Consumer Price Index and the Implicit Price Deflator for Personal Consumption Expenditures, 1972-73 to 1982-83.



Source: Same as Table 1.

> Many hard-pressed state legislatures and boards of trustees are having to curtail expenditures, with the result that next year faculty members at a number of institutions will receive smaller increases than this year. The salaries of some faculty members will be frozen at present levels, and a few may even have to take salary reductions. The situation is even worse for those faculty members who have been laid off or who face that prospect next year. And so, while 1981-82 salary gains enabled most faculty members to maintain their economic position over the previous year, the prospects for the coming years are filled with great uncertainty for a substantial number of college and university professors.

Resolution of these uncertainties will not be accomplished soon, and all solutions depend heavily on the degree of economic recovery in the months ahead. At present, some indicators are positive, such as the reduced inflation rate, substantially lower interest rates, the surge in the stock market, some signs of a recovery in the housing and construction industry, and an increase in personal consumption. Arrayed against these factors, however, are a continuing decline in industrial production, an increase in inventories relative to sales, declines in salaries and wages, and, of course, an unemployment rate unmatched since the early 1940s.

CALIFORNIA TRENDS

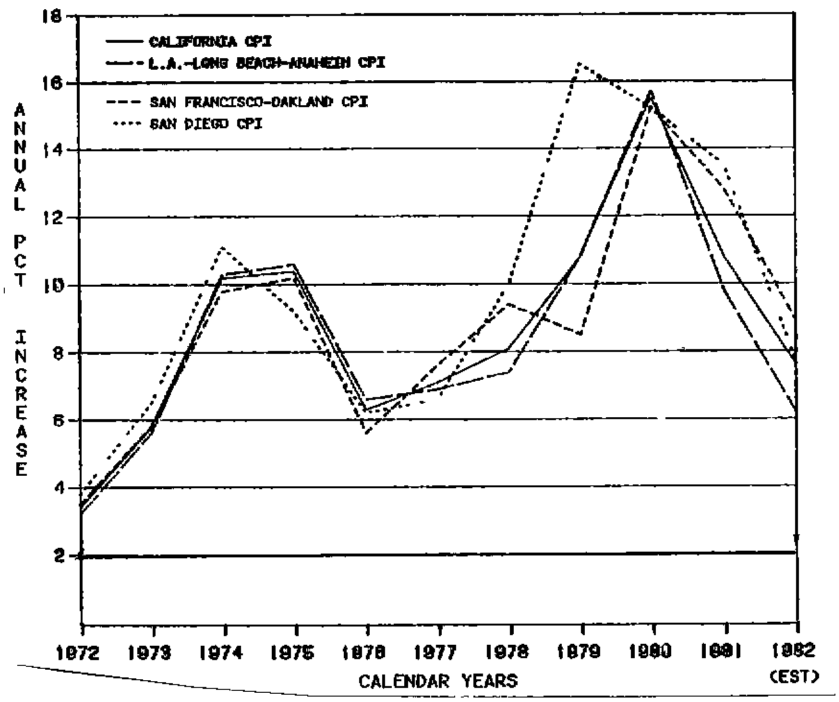
In California, the news is certainly no better. Inflation is estimated to remain higher than the national average (Tables and Figures 3 and 4). Between 1972-73 and 1981-82, University of California faculty lost 20.9 percent in real income and State University faculty lost 19.4 percent. When the 1982-83 figures are added--assuming a relatively low inflation rate of 5.0 percent in the CPI--the real income losses increase to 24.6 and 23.2 percent for the University and the State University, respectively. Where national unemployment is currently at 10.4 percent, it is 10.7 percent here. The State budget, known to have been precariously balanced in June, is already in a major deficit position as of this writing. Most estimates offered by the Department of Finance for both revenues and expenditures have come in on the pessimistic side, and the hoped-for recovery in the State's economy has not yet materialized. With more than six months remaining in the current fiscal year, the Director of Finance has announced an anticipated revenue shortfall of about $1 billion, a deficiency which will necessitate further cuts in State operations, a tax increase, or

TABLE 3 Calendar Year Changes in the California Consumer Price Index (CPI), 1972 to 1982

Year	California CPI	Los Angeles-Long Beach-Anaheim CPI	San Francisco-Oakland CPI	San Diego CPI
1972	3.4%	3.2%	3.5%	3.8%
1973	5.8	5.6	5.8	6.5
1974	10.2	10.3	9.8	11.1
1975	10.4	10.6	10.2	9.2
1976	6.3	6.6	5.6	6.2
1977	7.1	6.9	7.6	6.6
1978	8.1	7.4	9.4	10.0
1979	10.8	10.8	8.5	16.5
1980	15.5	15.7	15.2	15.2
1981	10.8	9.8	12.8	13.5
1982 (est.)	7.6	6.2	8.9	7.7

Source: State of California, Department of Industrial Relations, Division of Labor Statistics and Research.

FIGURE 3 Calendar Year Changes in the California Consumer Price Index (CPI), 1972 to 1982



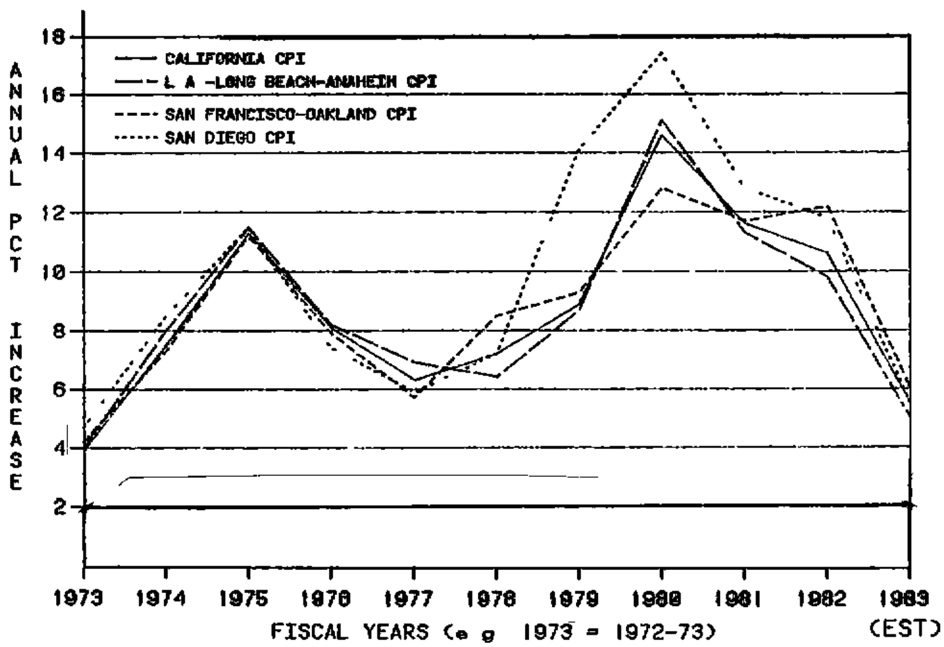
Source: Same as Table 3.

TABLE 4 Fiscal Year Change in the California Consumer Price Index (CPI), 1972-73 to 1982-83

Year	California CPI	Los Angeles-Long Beach-Anaheim CPI	San Francisco-Oakland CPI	San Diego CPI
1972-73	3.9%	4.0%	4.2%	4.7%
1973-74	7.5	8.0	7.3	8.5
1974-75	11.6	11.5	11.2	11.5
1975-76	8.1	8.2	7.9	7.4
1976-77	6.3	6.9	5.7	5.9
1977-78	7.2	6.4	8.5	7.2
1978-79	8.9	8.7	9.3	14.1
1979-80	14.6	15.1	12.8	17.4
1980-81	11.6	11.3	11.7	12.8
1981-82	10.6	9.8	12.2	11.8
1982-83 (est.)	5.5	5.0	6.0	5.5

Source: Same as Table 3.

FIGURE 4 Fiscal Year Changes in the California Consumer Price Index (CPI), 1972-73 to 1982-83



Source: Same as Table 3.

some combination of the two. All that seems clear is that a healthy State fiscal picture will depend entirely on either an economic recovery, a tax increase, or some combination of the two. The prospects for both are very unclear, but the most prudent prediction for 1983-84 must involve probable hardships for all State employees.

CHAPTER TWO

UNIVERSITY OF CALIFORNIA, CALIFORNIA STATE UNIVERSITY, AND COMPARISON-INSTITUTION DATA, 1983-84

For faculty at the University and the State University to achieve parity with their comparison-institution groups in 1983-84, salary increases of 16.5 and 9.0 percent, respectively, will be needed. For the University, this is the highest increase ever indicated to be necessary since these salary reports were begun in 1966. For the State University, it is the sixth highest.

TRENDS SINCE 1965-66

All of the amounts requested and approved since 1965-66 are indicated in Table 5. It shows that for every year except one in which no increase was granted to faculty in California's four-year segments, the amount needed to achieve parity the following year increased, usually substantially. The one exception was in 1972-73, when the amount for the State University remained unchanged. For 1983-84, this rule continues to apply, and by approximately the difference between the amount granted nationally and the parity figures for California the previous year. Although figures for 1982-83 are not yet available, the AAUP reported that national faculty salaries for Category I institutions (among which most of California's four-year campuses are included) in 1981-82 increased by 9.4 percent. Due to the lowering of inflation in 1982-83, it is probable that the national increase will be somewhat reduced this year, but will still be about 7 to 8 percent. (The actual increase for this year will be reported in the Commission's final salary report next spring.)

For the 1982-83 fiscal year, the Governor and the Legislature approved no cost-of-living adjustment for any State employees, including faculty. As an alternative, funds were appropriated to provide an increase in take-home pay by taking over up to $50 of each employees' retirement program contributions. Any employee contributing less than $50 per month to a retirement program had the entire amount forgiven.

SPECIAL ASSISTANCE PROGRAMS

In spite of the absence of a general cost-of-living adjustment last year, faculty in a few disciplines at both the University and the

TABLE 5 Salary Increases for Faculty Requested by the University of California and The California State University, Increases Required to Attain Parity with Comparison Institutions, Salary Increases Granted by the Governor and the Legislature, and Changes in the United States Consumer Price Index, 1965-66 Through 1983-84

Year	Segmental Requests UC	Segmental Requests CSU	CCHE/CPEC Reports UC	CCHE/CPEC Reports CSU	Increases Granted UC	Increases Granted CSU	United States Consumer Price Index Increase
1965-66	10.0%	10.0%	No report		7.0%	10.7%	2.3%
1966-67	8.1	11.2	2.5%	6.6%	2.5	6.7	2.9
1967-68	7.5	18.5	6.5	8.5	5.0	5.0	3.6
1968-69	5.4	10.0	5.5	10.0	5.0	7.5	4.6
1969-70	5.3	5.2	5.2	5.2	5.0	5.0	5.9
1970-71	7.2	7.0	7.2	7.0	0.0	0.0	5.2
1971-72	11.2	13.0	11.2	13.0	0.0	0.0	3.6
1972-73	13.1	13.0	13.1	13.0	9.0	8.9	4.0
1973-74	6.4	7.5	6.4	8.8	5.4	7.5	9.0
1974-75	4.5	5.5	4.5	4.2	4.5	5.5	11.1
1975-76	11.0	10.4	11.0	9.7	6.7	6.7	7.1
1976-77	4.6	7.2	4.6	4.6	4.3	4.3	5.8
1977-78	6.8	8.5	6.8	5.3	5.0	5.0	6.7
1978-79	9.3	9.9	8.0	3.3	0.0	0.0	9.0
1979-80	16.0	14.4	12.6	10.1	14.5	14.5	13.3
1980-81	10.5	11.0	5.0	0.8	9.8	9.8	11.5
1981-82	9.5	17.7	5.8	0.5	6.0	6.0	8.7
1982-83	9.0	None[1]	9.8	2.3	0.0[2]	0.0[2]	5.0 (est.)
1983-84	N/A[3]	N/A[3]	16.5[4]	9.0[4]	N/A[5]	N/A[5]	N/A[6]

1. The State University Trustees did not approve a salary request for 1982-83 due to uncertainties over collective bargaining.
2. Although the Governor and the Legislature approved no general salary increase, they did approve a $50 per employee reduction in retirement contributions.
3. No request submitted to date.
4. Preliminary Commission report. All other figures are from the final reports of the Commission or its predecessor, the Coordinating Council for Higher Education.
5. Any increases approved will not be known for another six months.
6. An estimate for the change in the CPI will be included in the final report for 1983-84.

Source: Previous and current faculty salary reports of the Coordinating Council for Higher Education and the California Postsecondary Education Commission.

State University will benefit from actions taken this past year by the governing boards. As noted in the Commission's 1982 final salary report last April, both of the four-year segments have experienced increasing difficulty recruiting faculty in the fields of engineering, computer science, and business administration, among a few others. According to segmental officials, and with supporting opinions from many analysts and researchers in the field, business and industry have increased the salaries and benefits they are willing to pay for promising graduates in the above-noted fields. Because of this, many graduates have found that they can earn as much, or nearly as much, in industry with a bachelor's degree as they can on campus with a doctorate. When these graduates consider foregone income, many decide not to pursue an academic career who might otherwise have elected to do so.

In an attempt to make the professoriate more attractive, the Regents approved a separate salary schedule for business/management and engineering faculty (Table 6) which involves increases of between 9.5 and 33.8 percent, depending on rank and step. For a beginning professor who normally enters at the third step of the assistant

TABLE 6 University of California Salary Schedules for Regular Faculty and Business/Management and Engineering Faculty (Nine Months), 1982-83

Academic Rank	Step	Regular Faculty	Business/Mgmt-Engineering Faculty	Percent Difference
Assistant Professor	1	$19,700	$24,500	24.4%
	2	20,500	27,000	31.7
	3	21,700	29,000	33.6
	4	23,100	30,900	33.8
	5	24,500	Only Four Steps	--
	6	25,900	in Range	--
Associate Professor	1	24,600	32,500	32.1
	2	26,000	33,900	30.4
	3	27,600	35,300	27.9
	4	30,000	Only Three Steps	--
	5	33,100	in Range	--
Professor	1	30,100	37,000	22.9
	2	33,200	39,000	17.5
	3	36,800	41,500	12.8
	4	40,200	44,000	9.5
	5	43,600	48,000	10.1
	6	47,100	52,400	11.3

Source: Item 511, Regents Agenda, January 13, 1982.

professor rank, the increase is 12.8 percent. At the State University, the Trustees approved a resolution which will permit some faculty members to be hired at salaries above the normal entry level and even to associate and full professor salaries, but without comparable academic rank. In other words, if a campus cannot attract a desirable candidate with a salary at the assistant professor level, it can hire him or her at the associate range but without an associate professor's rank. The segments are hopeful that these changes in hiring policy will assist them in filling positions they have been unable to fill, but both add that further steps may be necessary to alleviate the shortages. The Legislature, through AB 2023 (Elder, 1982), has directed the Commission to study the impact of action taken by the segments to enhance faculty recruitment in engineering and in business and accounting. These separate reports are due on March 31, 1983, and June 30, 1983, respectively.

In addition to the revised salary schedule, the University has also created a number of programs to assist both existing and prospective faculty members in housing purchases. These programs were detailed in last spring's final report on faculty salaries in a section that is contained in Appendix E in this report. There have been no changes in the intervening eight months.

CHANGES IN STAFFING PATTERNS

The "all-ranks" average salary commonly used in the Commission's salary reports is greatly affected by changes in staffing patterns. For example, if an institution employs 1,000 faculty members who are evenly distributed across the ranks of professor, associate professor, and assistant professor, the average salary for all of them will lie somewhere in the associate professor range. If, on the other hand, more occupy the upper rank, the average will be moved higher.

Throughout the 1960s, both the University and the State University hired a large number of new faculty members as Table 7 shows. This expansion helped maintain the balance among the three ranks, since about as many new faculty entered as assistant professors as were promoted upward. In the 1970s, however, fewer new faculty were hired, while those already on the faculty moved to higher ranks through the normal processes of step increases and promotions. Thus, although full professors occupied only a third of the positions in 1963-64, they filled about half by the mid-1970s and have assumed a greater proportion since. Table 8 illustrates this trend, as do Figures 5 and 6.

TABLE 7 Total University of California and California State University Faculty, Selected Years 1963-64 to 1975-76, and Annually 1975-76 to 1981-82, with Annual Percentage Changes, 1963-64 to 1981-82

	University of California		California State University	
Year	Total Faculty	Percentage Change	Total Faculty	Percentage Change
1963-64	2,754	--	5,043	--
1966-67	4,215	15.2%[1]	6,779	10.4%
1969-70	5,572	9.8	9,849	13.3
1972-73	4,621	---[2]	10,989	3.7
1975-76	4,729	0.8	10,943	-0.1
1976-77	4,795	1.4	11,033	0.8
1977-78	4,611	-3.8	11,113	0.7
1978-79	4,656	1.0	11,148	0.3
1979-80	4,731	1.6	10,895	-2.3
1980-81	4,695	-0.8	10,487	-3.7
1981-82	4,562	-2.8	10,768	2.7

1. For the three-year intervals shown between 1963-64 and 1975-76, the percentages are annual averages for each of the three years involved. In other words, between 1963-64 and 1966-67, the total size of the University of California's full-time faculty grew an average of 15.2 percent each year.

2. In 1972-73, the University of California changed its method of counting faculty from a strict headcount basis to one of full-time equivalents. Thus, the totals for 1969-70 and earlier years are not comparable to those of 1972-73 and later years.

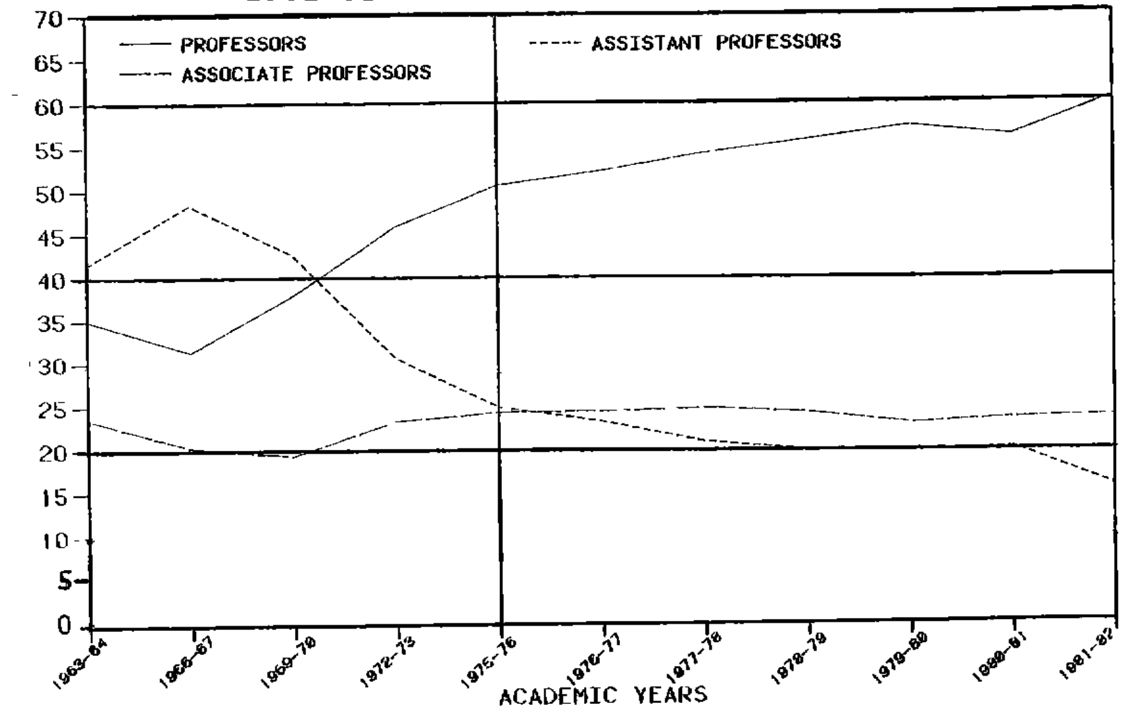
Source: California Postsecondary Education Commission Faculty Salary Reports, 1967-1982.

TABLE 8 Changes in University of California and California State University Staffing Patterns, Selected Years 1963-64 to 1975-76, and Annually 1975-76 to 1981-82

	Number of Faculty at Each Rank					
	University of California			California State University		
Year	Prof.	Assoc. Prof.	Asst. Prof.	Prof.	Assoc. Prof.	Asst. Prof.
1963-64						
Number	963	647	1,144	1,235	1,521	2,287
Percent	35.0	23.5	41.5	24.5	30.2	45.3
1966-67						
Number	1,318	856	2,041	1,872	1,868	3,039
Percent	31.3	20.3	48.4	27.6	27.6	44.8
1969-70						
Number	2,111	1,078	2,383	2,951	2,656	4,242
Percent	37.9	19.4	42.7	30.0	27.0	43.0
1972-73						
Number	2,120	1,079	1,422	3,727	3,271	3,991
Percent	45.9	23.4	30.7	33.9	29.8	36.3
1975-76						
Number	2,392	1,156	1,181	4,337	3,514	3,092
Percent	50.6	24.4	25.0	39.6	32.1	28.3
1976-77						
Number	2,502	1,173	1,120	4,713	3,568	2,752
Percent	52.2	24.5	23.3	42.7	32.3	25.0
1977-78						
Number	2,501	1,144	966	5,101	3,554	2,464
Percent	54.2	24.8	21.0	45.9	32.0	22.1
1978-79						
Number	2,594	1,131	931	5,489	3,438	2,221
Percent	55.7	24.3	20.0	49.2	30.8	20.0
1979-80						
Number	2,707	1,087	937	5,753	3,202	1,940
Percent	57.2	23.0	19.8	52.8	29.4	17.8
1980-81						
Number	2,636	1,109	950	5,892	2,899	1,696
Percent	56.1	23.6	20.3	56.2	27.6	16.2
1981-82						
Number	2,757	1,087	718	6,265	2,848	1,655
Percent	60.4	23.8	15.8	58.2	26.4	15.4

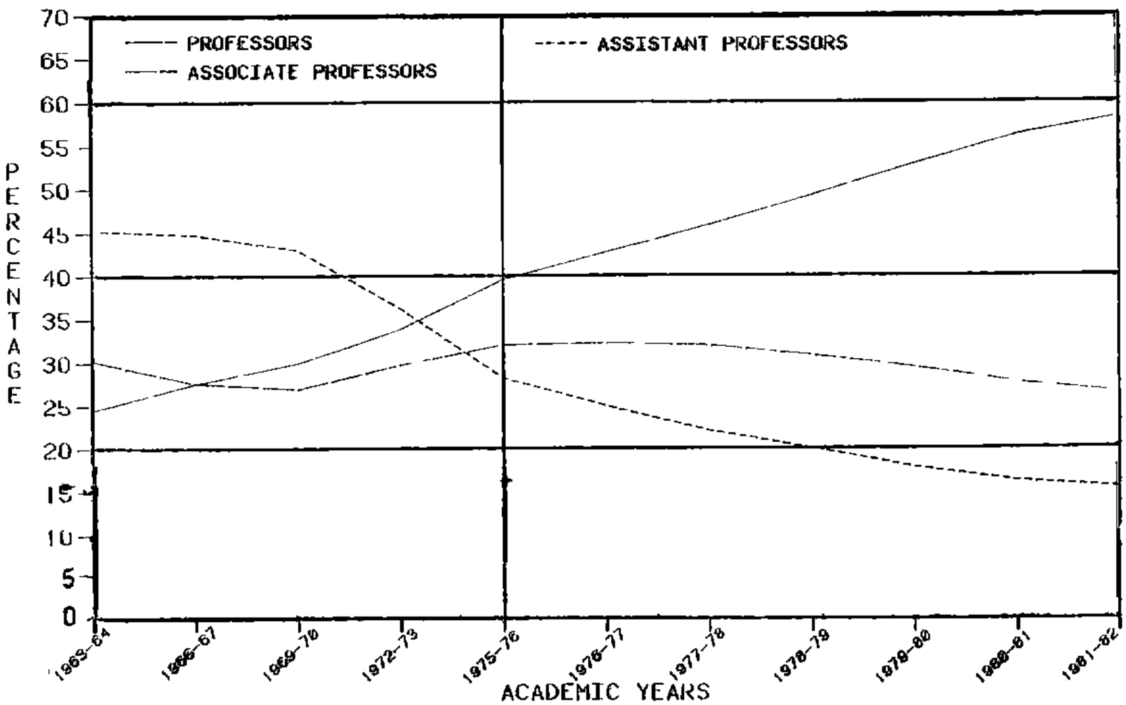
Source: Same as Table 7.

FIGURE 5 Percentage of Faculty by Academic Rank, University of California, Selected Years 1963-64 to 1975-76, and Annually 1975-76 to 1981-82



Source: Same as Table 7.

FIGURE 6 Percentage of Faculty by Academic Rank, California State University, Selected Years 1963-64 to 1975-76, and Annually 1975-76 to 1981-82



Source: Same as Table 7.

The effect of shifts such as these on the all-ranks average salary of an institution can make the institution appear to have a salary advantage over another. Table 9 provides a hypothetical example of how a relatively low-paying university (No. 1) can appear to have a higher average salary than a higher-paying one (No. 2), despite the fact that this appearance is only the result of weighting toward the upper ranks. Although University No. 2 has a higher salary structure than University No. 1, University No. 1 has a higher average for all ranks, due to the presence of much greater numbers of faculty at the full-professor rank.

In all of the years since the Coordinating Council first used the comparison-institution approach to make salary comparisons between the California segments and those in other states, the staffing patterns in place in California have been used to weight the rank-by-rank averages in other institutions. Had this not been done, changes in faculty mix among the ranks would have created distortions in the averages which would have made the California segments appear to be either further ahead or further behind than they actually were at any given time.

In all probability, the drift to the upper ranks will continue for another five to ten years both in California and other states before the number of faculty leaving the full-professor rank balances the number entering as assistant professors. The total size of the professoriate is undergoing very little change at present, as Table 7 above showed. This fact presents administrators with serious problems both of balance among the ranks and of introducing new faculty to the university community.

TABLE 9 The Effect of Staffing Patterns on Institutional Average Salaries at Two Hypothetical Universities

Institution/Rank	Average Salary	Number of Faculty
University No. 1		
Professor	$35,000	2,500
Associate Professor	25,000	1,500
Assistant Professor	15,000	500
All-Ranks-Average Salary	$29,444	
University No. 2		
Professor	$40,000	500
Associate Professor	30,000	1,500
Assistant Professor	20,000	2,500
All-Ranks-Average Salary	$25,556	

COMPARISON-INSTITUTION PROJECTIONS FOR 1983-84

At present, the Trustees of the State University have not approved a salary request for 1983-84 and they are not expected to approve any figure in the near future. The Regents of the University, however, approved the following resolution at their November 19, 1982, meeting:

> That the President be instructed to negotiate with the Governor-elect and the Legislature a salary increase for our faculty which will bring them back to full parity with our comparison institutions as soon as possible, given the financial stringencies facing the State. The Regents recognized that because of these stringencies it is unrealistic to assume that full parity can be achieved by July 1, 1983, but the Board believes it to be essential that it be achieved no later than July 1, 1984, and further instructs the President to negotiate, as necessary, to that end.

This resolution does not specify a dollar or percentage figure for the coming fiscal year, but if a two-year program is anticipated to attain comparison-institution parity, the increases for both years will undoubtedly have to be in the 10 to 12 percent range each year. Given an anticipated increase in comparison institution salaries of approximately 8 percent for 1983-84, a University of California faculty increase of the same amount would probably result in a parity deficiency for 1984-85 of about as much as now exists. An increase lower than 8 percent will probably have the effect of increasing the current 16.5 percent deficiency even further.

Last year, the Regents recommended a faculty salary increase of 9.0 percent, a figure based on three factors: (1) an anticipated rate of change in the Consumer Price Index of 8.5 percent; (2) the continuing high cost of housing in California; and (3) the possibility that the parity projections from the comparison-institution data might be understated. The University also noted in the Regents' agenda item that losses in real income had totaled between 15 and 19 percent since the late 1960s but did not request additional funds to compensate for those losses.

The State University Trustees did not submit a request for 1982-83 due to uncertainties over collective bargaining, and they may not submit one for the coming year for the same reason. Last year, an election between the Congress of Faculty Associations (CFA) and the United Professors of California (UPC) was held in December and January, and it was anticipated that the winner would enter into negotiations with Trustee representatives to determine the salary amount for the budget year. When that election failed to produce a winner, and when a subsequent election was so close that a clear winner could not be determined, the process continued to be delayed. Currently, discussions are underway between the two faculty organizations to see if a merger between them is possible, and the Public Employment Relations Board (PERB) is continuing to count and adjudicate disputed ballots. In all likelihood, much more will be known in the next few months, and any changes in the current status of State University collective bargaining and/or salary requests will be reported in the Commission's final salary report in the spring.

Regardless of future events, the Commission will continue its usual procedure of presenting the results of the comparison-institution projections for the budget year. In this preliminary report, comparison-institution data from the 1981-82 academic year are projected forward two years to 1983-84, since current-year data will not become available for another three months. These data are shown in Tables 10 through 13.

Table 11 indicates that University of California faculty will require a general salary increase of 16.52 percent to equal what its average comparison institution will be paying in 1983-84. Table 13 indicates a need for a 9.03 percent increase for State University faculty. The projections through which these figures are derived are based on the salary experiences in the comparison institutions over a five-year period between 1976-77 and 1981-82. In this report, those averages are then projected forward two years to 1983-84. In the final report, data from the comparison institutions for 1982-83 will be obtained and a projection made for only one year.

For the past several years, questions have arisen concerning the accuracy of this projection methodology since substantial variances have occurred recently between predicted and actual figures. Table 14 shows the results of the methodology since 1973-74, and indicates that the deviations between these figures have occurred primarily in the past two years, when the inflation rate was increasing rapidly. Other than in these years, the only major variance was in 1975-76 when the parity projections were 1.8 percent too low for the University and 3.3 percent too low for the State University. In times of relative price stability, the comparison methodology has thus been an extremely accurate indicator of salary changes in each segment's respective comparison group.

TABLE 10 Projected 1982-83 and 1983-84 Salaries for the University of California Comparison Group, Based on the Compound Rate of Increase in Average Salaries and with Each Comparison Institution Weighted Equally

Academic Rank	Comparison Group Average Salaries 1976-77	Comparison Group Average Salaries 1981-82	Compound Rate of Increase	Comparison Group Projected Salaries 1982-83	Comparison Group Projected Salaries 1983-84
Professor	$28,828	$41,714	7.67%	$44,913	$48,358
Associate Professor	19,524	28,126	7.57	30,256	32,548
Assistant Professor	15,509	22,941	8.14	24,810	26,830

Source: California Postsecondary Education Commission, from University data.

TABLE 11 Percent Increase Needed in University of California Estimated 1982-83 Salaries to Equal the Comparison-Group Projections for 1982-83 and 1983-84, Based on a Five-Year Compound Rate of Increase in Comparison Group Salaries and with Each Comparison Institution Weighted Equally

Academic Rank	UC Average Salaries 1982-83	Comparison Group Projected Salaries 1982-83	Comparison Group Projected Salaries 1983-84	Percent Increase Needed in UC Salaries 1982-83	Percent Increase Needed in UC Salaries 1983-84
Professor	$41,645	$44,913	$48,358	7.85%	16.12%
Associate Professor	27,664	30,256	32,548	9.37	17.65
Assistant Professor	22,820	24,810	26,830	8.72	17.57
All-Ranks Average	$35,768[1]	$38,507[1]	$41,676[1]	7.66%	16.52%

1. Based on projected 1983-84 staffing of 3,138 professors, 1,087 associate professors, and 744 assistant professors for a total faculty of 4,969.

Source: California Postsecondary Education Commission, from University data.

TABLE 12 Projected 1982-83 and 1983-84 Salaries for The California State University Comparison Group, Based on the Compound Rate of Increase in Average Salaries Weighted by the Total Faculty by Rank in All Comparison Institutions

Academic Rank	Comparison Group Average Salaries 1976-77	Comparison Group Average Salaries 1981-82	Compound Rate of Increase	Comparison Group Projected Salaries 1982-83	Comparison Group Projected Salaries 1983-84
Professor	$25,171	$34,308	6.39%	$36,500	$38,832
Associate Professor	19,024	26,283	6.68	28,038	29,911
Assistant Professor	15,371	21,137	6.58	22,527	24,009
Instructor	12,176	16,563	6.35	17,614	18,732

Source: California Postsecondary Education Commission, from State University data.

TABLE 13 Percent Increase Needed in California State University Estimated 1982-83 Salaries to Equal the Comparison-Group Projections for 1982-83 and 1983-84, Based on the Five-Year Compound Rate of Increase in Comparison-Group Salaries Weighted by the Total Faculty by Rank in All Comparison Institutions

Academic Rank	CSU Average Salaries 1982-83	Comparison Group Projected Salaries 1982-83	Comparison Group Projected Salaries 1983-84	Percent Increase Needed in CSU Salaries 1982-83	Percent Increase Needed in CSU Salaries 1983-84
Professor	$35,434	$36,500	$38,832	3.01%	9.59%
Associate Professor	27,331	28,038	29,911	2.59	9.44
Assistant Professor	22,222	22,527	24,009	1.37	8.04
Instructor	19,682	17,614	18,732	-10.51	-4.83
All-Ranks Average	$31,054[1]	$31,856[1]	$33,919[1]	2.58%	9.23%
Less Adjustment for Turnover and Promotions		-62	-62	-0.20	-0.20
Adjusted Totals		$31,794	$33,857	2.38%	9.03%

1. Based on 1981-82 staffing of 6,265 professors, 2,848 associate professors, 1,655 assistant professors, and 195 instructors for a total faculty of 10,963.

Source: California Postsecondary Education Commission, from State University data.

For the current budgetary cycle leading to 1983-84, it seems probable that the University of California projection of a 16.52 percent deficiency will be substantially accurate to within a percentage point. The annual rate of change in its comparison-group salaries from 1976-77 to 1981-82 has been about 7.5 to 8.0 percent, and with the substantial reduction in the rate of increase in the Consumer Price Index, it is likely that they will experience a general salary increase close to that amount again. In the State University, whose comparison institutions have shown slightly smaller annual salary increases--about 6.5 percent--over the past five years, its parity figure of a 9.03 percent deficiency may be low, possibly by as much as 1.5 percent. According to the American Association of University Professors, the average increase for State University-type institutions in 1981-82 was 9.1 percent, and even with the reduction in inflation, it seems likely that their 1982-83 increase will not be much less than 8.0 percent. Accordingly, it is expected that the final Commission salary report will show about the same figures for the University of California (16.52 percent) and a slight increase to about 10.0 percent from the current State University figure of 9.03.

TABLE 14 Annual Percentage Differences Between Predicted and Actual All-Ranks Averages in Comparison Institutions, 1973-74 Through 1981-82

	UC Comparison Institution Average Salary Exceeds Projection by:		CSU Comparison Institution Average Salary Exceeds Projection by:	
Year	Preliminary Report	Final Report	Preliminary Report	Final Report
1973-74	+0.4%	+0.3%	-3.1%	-2.8%
1974-75	+3.3	+0.8	-0.3	+0.6
1975-76	+2.6	+1.8	+3.7	+3.3
1976-77	+1.6	-0.9	+3.7	-0.8
1977-78	-1.8	+0.3	-2.3	-1.2
1978-79	+1.6	+1.2	+0.2	+1.1
1979-80	+3.0	+1.5	+1.0	+0.1
1980-81	+5.2	+3.3	+3.0	+3.5
1981-82	+7.6	+3.3	+6.1	+3.1
Mean Predictive Error 1973-74 to 1981-82	±3.0%	±1.5%	±2.6%	±1.8%

Source: California Postsecondary Education Commission.

CHAPTER THREE

PROJECTED COST OF FRINGE BENEFITS AT THE UNIVERSITY OF CALIFORNIA, THE CALIFORNIA STATE UNIVERSITY, AND THEIR RESPECTIVE COMPARISON INSTITUTIONS

Fringe benefits for faculty consist of retirement, Social Security, unemployment insurance, Worker's Compensation, health insurance, life insurance, and disability insurance. The largest component of the benefit package is retirement, which amounts to approximately 80 percent of all measureable fringe benefits at the University and 70 percent at the State University. This single factor has a profound effect on the usefulness of the data in Tables 15 through 18 below, since the employer's cost of providing a retirement program may bear only an indirect relationship to the benefits received by the employee.

The problem of establishing legitimate comparisons among various fringe benefit programs has been present since the inception of the salary reports in 1966, and the Commission and the segments have made various attempts to arrive at a satisfactory method of comparison. The most recent of these occurred in 1981, when the Legislative Analyst asked the Commission to study the subject again and provide estimates of the costs of a major analysis of the subject. In November 1981, the Commission transmitted its response, _Approaches to Studying Faculty Fringe Benefits in California Higher Education: An Analysis of the Feasibility of Alternative Measurements_, in which it estimated that an annual comprehensive survey would cost between $220,000 and $265,000 for both segments. No further action has been taken on the subject since that time.

There are, of course, many different types of retirement programs in operation across the country. Some are funded by public agencies, some through private associations, and others through insurance companies. In some cases, such as the University of California Retirement System (UCRS), the public retirement program is self-contained within the institution. In other cases, such as the State University, the program includes public agencies outside of postsecondary education--in California, the Public Employees Retirement System (PERS), which includes State University faculty and nonacademic employees along with most other State employees.

Because payments to and benefits from these fringe benefit programs vary widely, it is virtually impossible to make a precise determination of the benefits received by analyzing dollar contributions.

Additional problems include vesting and portability. Prior to vesting, an employee who leaves a retirement program receives no benefits in spite of the fact that payments have been made by his or her employer. Some retirement systems become vested with the employee after only a year or two, while others require considerably longer. A faculty member who works in one system for four years may not yet have his benefits vested, while a faculty member in another system may enjoy total vesting. Further, some retirement programs permit employees to carry the employer's contributions with them when they leave for new employment, but others do not. This feature, generally referred to as "portability," can be a major benefit, but it is not reflected in the cost figures that are currently used to indicate the relative status of University and State University faculty vis-a-vis their comparison groups.

Another ingredient in the fringe-benefit stew is the fact that not all benefits are included in the current methodology. For example, in addition to retirement programs and Social Security contributions, some institutions may offer as benefits medical insurance, tuition waivers or reductions for dependents, free athletic tickets, dental insurance, discounted housing, and similar perquisites. Such financial incentives are not reflected in the comparisons at the present time since it would be difficult to assign a monetary value to them, but they could have much to do with the overall attractiveness of a university to a prospective or continuing faculty member.

For these reasons, a caveat included in several previous salary reports should again be stressed: <u>the reliability of the fringe benefit cost data shown in Tables 15 and 18 is limited and should be used with the utmost caution</u>. Until better data become available, the segmental view that fringe benefits for faculty should correspond to those for all other State employees is probably the most reasonable policy to follow.

The cost data presented in Tables 15 through 18 indicate that the relationship between the California segments and their respective comparison groups has changed little over the past year. California's fringe benefit enrichments have included increases in the State's health benefit and Social Security contribution, the introduction of a dental insurance program, and the waiver of $50 in retirement contributions enacted in lieu of a general salary increase, but it seems likely that the comparison institutions have made additions to their fringe benefit packages which are at least as great as those made in California.

TABLE 15 Projected 1983-84 Cost of Fringe Benefits for the University of California Comparison Group, Based on the Compound Rate of Increase in Average Fringe Benefit Costs and With Each Comparison Institution Weighted Equally

Academic Rank	Comparison Group Average Cost of Fringe Benefits 1976-77	1981-82	Compound Rate of Increase	Comparison Group Projected Cost of Fringe Benefits 1983-84
Professor	$5,100	$7,945	9.27%	$9,486
Associate Professor	3,571	5,481	8.95	6,506
Assistant Professor	2,954	4,478	8.68	5,289

Source: California Postsecondary Education Commission, from University data.

TABLE 16 Percent Change Needed in the University of California's 1982-83 Cost of Fringe Benefits to Equal the Comparison Group Projections for 1983-84, Based on the Compound Rate of Increase in Average Fringe Benefit Costs and With Each Comparison Institution Weighted Equally

Academic Rank	UC Average Cost of Fringe Benefits 1982-83[1]	Comparison Group Projected Cost of Fringe Benefits 1983-84	Percent Change Needed In UC 1982-83 Average Cost of Fringe Benefits
Professor	$10,973	$ 9,486	-13.55%
Associate Professor	7,837	6,506	-16.98
Assistant Professor	6,751	5,289	-21.66
All Ranks Average	$ 9,655[2]	$ 8,206[2]	-15.01%
Less Adjustment for the Effect of a 16.52 Percent Range Increase		-1,325	-13.72
Adjusted Parity Requirement		$ 6,881	-28.73%

1. Based on $1,632.20 plus 22.43 percent of average salary.
2. Based on projected 1983-84 staffing noted in Table 11, including estimated separations and new appointments, but excluding the effects of projected merit increases and promotions.

Source: California Postsecondary Education Commission, from University data.

TABLE 17 Projected 1983-84 Cost of Fringe Benefits for the California State University Comparison Group, Based on the Compound Rate of Increase in Average Fringe Benefit Costs Weighted by Total Faculty by Rank in All Comparison Institutions

Academic Rank	Comparison Group Average Cost of Fringe Benefits 1976-77	Comparison Group Average Cost of Fringe Benefits 1981-82	Compound Rate of Increase	Comparison Group Projected Cost of Fringe Benefits 1983-84
Professor	$3,954	$6,586	10.74%	$8,077
Associate Professor	3,176	5,298	10.78	6,501
Assistant Professor	2,635	4,203	9.79	5,066
Instructor	2,257	3,315	7.99	3,866

Source: California Postsecondary Education Commission, from State University data.

TABLE 18 Percent Change Needed in the California State University's 1982-83 Cost of Fringe Benefits to Equal the Comparison Group Projections for 1983-84, Based on the Compound Rate of Increase in Average Fringe Benefit Costs Weighted by Total Faculty by Rank in All Comparison Institutions

Academic Rank	UC Average Cost of Fringe Benefits 1982-83[1]	Comparison Group Projected Cost of Fringe Benefits 1983-84	Percent Change Needed In CSU 1982-83 Average Cost of Fringe Benefits
Professor	$10,118	$ 8,077	-20.17%
Associate Professor	8,555	6,501	-24.01
Assistant Professor	7,194	5,066	-29.58
Instructor	6,214	3,866	-37.79
All Ranks Average	$ 9,201[2]	$ 7,138[2]	-22.42%
Less 0.2 Percent Turnover and Promotions, Automatic Salary/Benefit Adjustment, and an Adjustment for the Effect of a 9.03 Percent Range Increase		-509	- 5.53
Adjusted Parity Requirement		$ 6,629	-27.95%

1. Based on $3,504 plus 18.345 percent of average salary at each rank.
2. Based on CSU 1981-82 staffing noted in Table 13.

Source: California Postsecondary Education Commission, from State University data.

CHAPTER FOUR

FINDINGS AND CONCLUSIONS

Last year's preliminary report on faculty salaries contained the following prediction concerning the 1982-83 fiscal year (p. 45):

> All current indications are that 1982-83 will be an extremely difficult year for California higher education. The State's continuing economic malaise, combined with ever greater demands on the treasury and constitutional and statutory spending limitations, has produced a fiscal situation in which either major program reductions or increases in general taxes or special user fees, or both, are mandatory. In the coming budget year, it therefore seems likely that faculty salary increases in all public segments will be minimal.

One year later, it appears that little in this prediction needs change except the date. California continues in the economic doldrums, with unemployment at the highest level in four decades and with other major indicators making only sluggish advances in a favorable direction. It is clear that the State budget will have to be reduced on the expenditure side or supplemented by new taxes in the current fiscal year by approximately $1 billion, and few are optimistic about major improvements in the economy in 1983-84.

For California public higher education in general, the fiscal situation appears to be at least as bad as it was a year ago, and for faculty salaries in particular, it is considerably worse. The projections from the University's and the State University's comparison institutions last year showed needed but unrealized increases of 9.8 and 2.3 percent, respectively, to maintain parity. For the coming year, and with no greater hopes of a general salary increase, the University will require a 16.5 percent increase and the State University a 9.0 percent increase--both substantially higher than last year--to keep up.

Although more data will be available by the time the Commission issues its final report on faculty salaries for 1983-84 next April or May, the experience of past reports leads to the conclusion that the parity projections contained in this preliminary report are likely to be substantially accurate. The only anticipated change in them in the next four or five months is a probable increase in the parity figures for the State University from the current 9 percent to about a 10 percent needed increase.

The final report for 1983-84 will include a summary of many of the economic forecasts for the coming fiscal year, most of which now are only indefinite predictions. In addition, that report may summarize employment data gathered as part of the 1980 Census as well as those from the previously used national survey of occupations by the Bureau of Labor Statistics, which have been delayed this year. If available, it will cover reports from the segments on the effects of salary inducements approved last year for engineering, computer science, and business/management faculty and news of the approval of an exclusive bargaining representative for State University faculty. It will also contain three chapters which normally appear only in the spring document--the Commission's annual reports on medical faculty salaries at the University of California, administrative salaries at the University and State University, and Community College faculty salaries.

APPENDIX E

Information Concerning the University of California's Faculty Housing Subsidy Programs, from pp. 44-47 of the Commission's Final Annual Report on Faculty and Administrative Salaries, 1982-83

It has been acknowledged for some time that one of the major impediments of the University and the State University to hiring outstanding new faculty is the high price of real estate in virtually all urban areas of the State. A 1981 report by two Bank of America analysts, Michael Salkin and Dan Durning, traces the cost history of single-family homes in California since 1970. Other housing cost estimates from the Bank of America's Economic Outlook--California 1982 and from the California Association of Realtors' California Real Estate Trends Newsletter, together with the annual changes in the Consumer Price Index and the Implicit Price Deflator for Personal Consumption Expenditures, are shown in Table 24 on page 45. The differences in the estimates are caused by differences in sample populations and in times of the year when the samples were taken. In spite of these differences, however, the estimates clearly indicate the extremely rapid rise in home prices that has affected all California home buyers and which has caused severe recruiting problems for both the University and the State University, especially where junior faculty are concerned.

In August 1979, the Regents approved the sale of $25 million in revenue bonds to assist in the recruitment and retention of faculty on all nine campuses of the University. Termed the "Faculty Home Loan Program," it provided loans to qualified faculty members up to a maximum of $135,000 per individual at an interest rate of 6.875 percent. In order to qualify, the faculty member was required (1) to be a member of the academic senate, (2) to satisfy campus officials that he or she would either leave the campus or not accept a position if the loan were not offered, and (3) to meet all the requirements of Crocker Bank which acted as trustee for the funds.

Even if the faculty member met all these requirements, he or she must have been in a field which was undergoing severe recruitment problems, since the purpose of the program was to strengthen individual departments and not necessarily to aid all faculty members, either in place or prospective, who needed help. Many faculty with greater needs than those who received loans failed to receive them because they were not in high-demand fields. In toto, 196 loans were awarded, 69 to professors, 31 to associate professors, 80 to assistant professors, and 16 to such persons as librarians, provosts, and deans. The program is now fully committed.

In January 1982, the University began another program which is entitled the "Faculty Mortgage Program." It involves an agreement with the Bank of America whereby the Regents purchased a number of existing 9 percent mortgages from the bank in return for the bank's underwriting $15 million worth of mortgages at 12 percent. In

TABLE 24

ESTIMATES OF HOUSING PRICES IN CALIFORNIA
IN COMPARISON TO CHANGES IN THE CONSUMER PRICE INDEX
AND THE IMPLICIT PRICE DEFLATOR FOR PERSONAL CONSUMPTION EXPENDITURES
1970 TO 1982

Year	Salkin-Durning Estimate	Bank of America Estimate	California Association of Realtors Estimate	Consumer Price Index	Implicit Price Deflator
1970	$ 24,300	N/A	N/A	5.9%	4.5%
1971	26,500	N/A	N/A	4.3	4.4
1972	28,400	N/A	N/A	3.3	3.5
1973	31,000	N/A	N/A	6.2	5.5
1974	34,100	N/A	N/A	11.0	10.9
1975	41,000	$ 43,400	N/A	9.1	8.0
1976	47,900	48,275	$ 50,772	5.8	5.1
1977	61,300	60,663	63,021	6.5	5.7
1978	69,800	69,922	71,872	7.7	6.7
1979	82,800	82,375	87,886	11.4	8.3
1980	98,000	97,961	97,593	13.4	10.2
1981	107,700*	107,750*	102,551*	10.4	8.3
1982	116,900*	117,455*	N/A	5.7*	5.0*
Net Increase					
1970-1981	343.2%	N/A	N/A	134.2%	109.5%
1975-1981	162.7	148.3%	N/A	69.0	53.3
1976-1981	124.8	123.2	102.0%	59.8	45.9

*Estimated

several ways, this is a profitable arrangement for both parties, since the University obtains a reasonable rate of return on its investment and faculty members can obtain mortgage money at less than existing market rates. Qualification for the program is virtually identical to that for the Faculty Home Loan Program, and University officials indicate that about five mortgages have already been extended under the program.

The University is also instituting two other programs to assist faculty members in purchasing homes. The first is called the "Salary Differential Housing Allowance Program" and is slated to begin this April and extend for five years. As with all other University housing programs, no State funds are involved, but unlike the other programs, no Regents' funds are involved either. The program is essentially an authorization for the campuses to raise their own funds to aid prospective faculty members who would not otherwise accept faculty positions. It does not apply to current faculty. Eligibility for the program is the same as for the others, but involves direct salary subsidies rather than loans, the subsidy to be negotiable between the individuals and the campus administrations.

Finally, under the "Short Term Housing Loan Program," as of this April the Regents are loaning $2 million to the campuses at 6 percent interest which must be repaid in eight years. Qualified individuals may borrow up to $25,000 from their campus with interest rates, repayment terms, and down payment to be negotiable.

As a contrast, it should be noted that Stanford University (one of the University's eight comparison institutions and one that has found housing costs to be its single biggest barrier to faculty recruitment) recently initiated its own housing subsidy program. Funded for $2.25 million, the program provides grants of between $3,565 and $8,379 (depending on salary) which are intended to make up the difference between housing costs in California and national averages, a difference Stanford estimates at about 40 percent. Each grant is to be reduced by one-seventh of the principal amount each year and eliminated entirely after seven years. Annual salary increases are expected to make up the difference.

Some indications exist that housing prices will decline in the immediate future. The January 10, 1982, issue of the California Real Estate Trends Newsletter, published by the California Association of Realtors states that

> A result of sluggish sales activity, there continues to be some downward adjustment in the rate of housing price appreciation. In November, the statewide median sales price declined 3.0 percent. On a 12-month basis, prices

were appreciating at a rate of only 5.1 percent, the lowest annualized rate of appreciation recorded this year.

With the prime rate falling (as noted in Chapter 1) and great national concern over the size of federal budget deficits, there is a chance that the interest market will fall to levels that will again make home purchase attractive. Should that occur, the housing industry may again build sufficient housing to raise the supply of homes up to demand levels, with a resulting stabilization or even decline in prices. This is obviously a very tentative possibility at present, but the prospects for housing availability at affordable prices are better than they have been in some years.

APPENDIX F

University of California Supplementary Information

OFFICE OF THE PRESIDENT
November 9, 1982

For the Meeting of November 18, 1982

TO MEMBERS OF THE COMMITTEE ON FINANCE

ITEM FOR ACTION

Re: Faculty Compensation, 1983-84

The President recommends that the Committee on Finance recommend to The Regents:

1. That The Regents recognize that University of California faculty salaries in 1983-84 are projected to lag the average faculty salaries of the comparison institutions by 16.52 percent; and

2. That the President be authorized to develop compensation proposals based on this analysis and additional information as it becomes available.

Background

In 1982-83, the faculty received no general salary increase. Similarly, in 1970-71, 1971-72, and 1978-79 no increases were granted, and in 1976-77, a flat-dollar increase was provided (see Table I below). As a result of the fluctuating faculty salary adjustments from the State, the University is experiencing severe morale problems among existing faculty and increased recruiting difficulties. During the past several years, The Regents have approved salary requests in recognition of the extreme problems encountered at each of our campuses and in selected disciplines. In the last two years, The Regents attempted to reverse some of the salary problems related to the extremely competitive fields of law, medicine, engineering, and business administration/management by approving new salary arrangements or by modifying existing scales in these fields. While this action was designed to assist in meeting competitive salary levels in these disciplines, the absence of an adequate range adjustment has impaired The Regents' intention to remain competitive in all fields. The current situation is very grave due to the continuing erosion of faculty members' real income and the difficulty in obtaining adequate resources from the State to meet its policy commitment "... that the University of California should be among the first rank of institutions nationally, a status that has been justified over the years". This statement is from the California Postsecondary Education Commission Report on Faculty Salaries--Spring, 1979. Maintaining faculty salaries at a level appropriate to a first-rank academic institution requires that the University and the State collaborate in providing the necessary resources to attract and retain the nation's best scholars.

The Comparison Survey and the Role of the California Postsecondary Education Commission

Pursuant to Senate Concurrent Resolution 51 (1965 General Legislative Session), the California Postsecondary Education Commission (CPEC) submits two reports each fiscal year, one in the fall and the other in the spring, relating to faculty salaries and benefits in the University of California and in the California State University system. These reports present the results of comparison surveys conducted by each institution, using a method that is mutually agreed upon by CPEC and all segments of higher education in the State. The eight institutions included in the University of California comparison survey are Cornell University, Harvard University, University of Illinois, University of Michigan, Stanford University, University of Wisconsin, Yale University, and the State University of New York at Buffalo. In order to maintain a competitive position in 1983-84 with these comparison institutions, a range adjustment of 16.52 percent is required. Table I below shows the year-by-year comparison of The Regents' salary request, the amount derived from the comparison methoodology, and the net amount granted in the State budget.

TABLE I

PERCENTAGE INCREASES REQUESTED BY THE
UNIVERSITY OF CALIFORNIA
AND THE AMOUNT GRANTED
1966-67 THROUGH 1981-82

Year	Requested	Comparison Methodology Result	Granted
1966-67	8.1%	2.5%	2.5%
1967-68	7.5	6.5	5.0
1968-69	5.4	5.5	5.0 .
1969-70	5.3	5.2	5.0
*1970-71	7.2	7.2	0.0
*1971-72	11.2	11.2	0.0
1972-73	13.1	13.1	9.0
1973-74	6.4	6.4	5.4
**1974-75	4.5	4.5	5.5
1975-76	11.0	11.0	7.2
***1976-77	4.6	4.6	4.3
1977-78	6.8	5.3	5.0
*1978-79	9.3	3.3	0.0
1979-80	16.0	10.1	14.5
1980-81	10.5	5.0	9.8
1981-82	9.5	2.7	6.0
*1982-83	9.0	5.46	0.0

Source: California Postsecondary Education Commission Report, dated December 1980

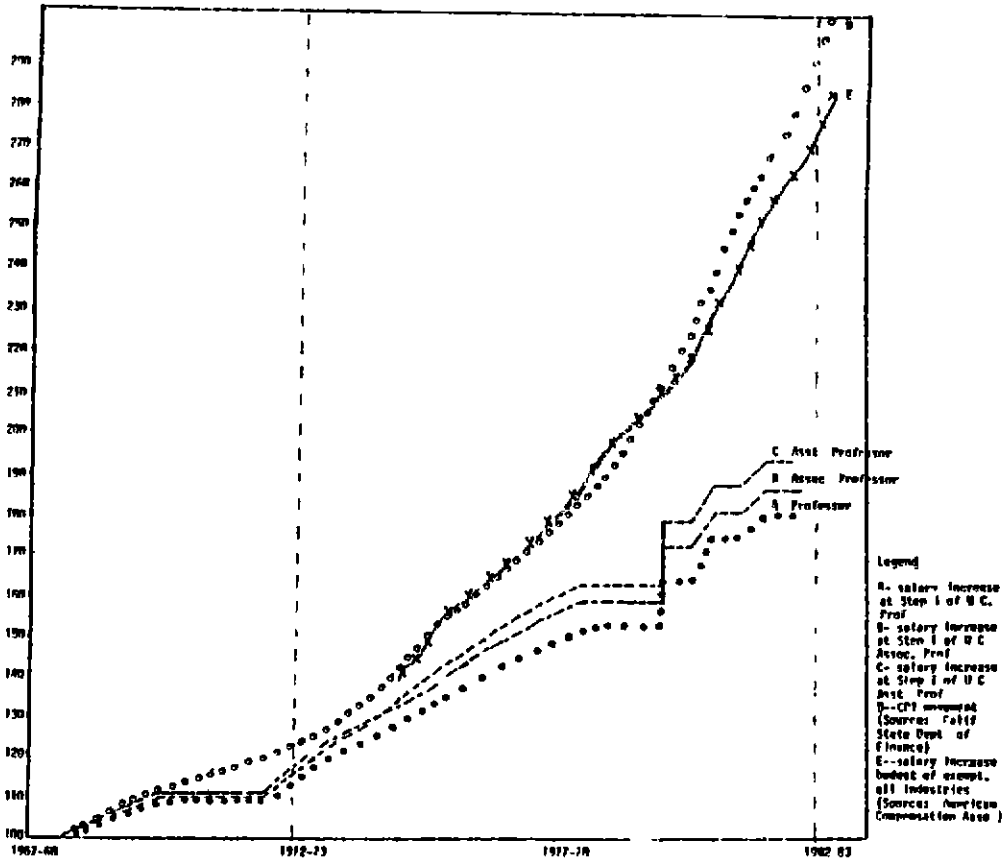
* No increase granted
** Increase granted slightly higher than requested
*** Flat-dollar increase

Inflation and Salary Erosion

In 1981-82, the faculty received a range adjustment of 6 percent. The U.S. Consumer Price Index (CPI) for all urban consumers increased 8.7 percent in fiscal year 1981-82, while the same CPI for California increased 10.8 percent. In 1982-83, the faculty range adjustment was zero percent and the California CPI for all urban consumers has been forecasted by the Department of Finance to increase by 5.2 percent. Chart 1 (below) illustrates the continuing faculty salary erosion by comparing Consumer Price Index activity with the salary trends of Assistant, Associate, and Full Professor ranks for the period of 1967-68 through 1982-83. From 1972-73 to 1982-83, University faculty members have suffered a salary erosion of 25 percent for Professors and Associate Professors and 22 percent for Assistant Professors. Chart 1 shows that salaries paid by private industry are nearly keeping pace with the CPI.

Chart 1

California Consumer Price Index Compared With Step I Assistant, Associate, and Full Professors 1967-68 to 1982-83



This chart clearly indicates that U.C. Faculty salaries have lost ground in terms of raging inflation over the past Decade. Salary erosion of faculty salaries since 1972-73 has been 25% for Professors, 25% for Assoc. Profs. and 22% for Asst. Profs

The forecasted inflation data for 1983-84 on Table II indicates:

TABLE II

Forecast of:	United States	California
UCLA Business Forecasting Project	6.0%	4.5%
State of California, Department of Finance	5.8%	5.4%

The inflation rate has diminished, but the full effects of earlier high levels of inflation combined with the inadequate faculty salary funding remain. Therefore, it is important to receive an adequate faculty salary range adjustment to restore the University of California to a competitive position with other leading academic institutions and to prevent further erosion in faculty members' compensation.

California Housing

General inflation is only one economic factor affecting University of California faculty. The high cost of housing units and mortgage loan interest rates are also major concerns. The Wall Street Journal of October 20, 1982 reported that it cost $22,643 a year to maintain a home in the San Francisco/Berkeley areas. Similar cost would be true of our campuses in the major metropolitan areas of Los Angeles, Santa Barbara, Irvine, San Diego and San Jose/Santa Cruz. Bank of America forecasts that in 1983, the median price for a California home will be approximately $116,000, which is approximately 35 percent higher than the projected national figure. As prices and interest rates continue to rise, more prospective home buyers are being priced out of the housing market. Table III below illustrates this problem:

Table III

	Mortgage Interest Rate:	10%	11%	12%	13%	14%	15%	16%	17%
COST OF HOME OWN-ERSHIP	Monthly Principal and Interest Costs*	$ 815	884	955	1,027	1,101	1,174	1,248	1,323
MEDIAN PRICE HOME	Total Monthly Cost **	$ 1,202	1,271	1,342	1,414	1,488	1,561	1,635	1,710
	Annual Income Required to Qualify for a Loan	$48,080	50,840	53,680	56,560	59,520	62,440	65,400	68,400

California Median Price Home: $116,000 (1983 forecast)

* Based on a $92,800 loan at a fixed rate for 30 years.
** Principal and Interest costs plus taxes, insurance, utilities, and maintenance.

Source: Michael Salkin, Economics—Bank of America Headquarters.

A household would need an annual income of almost $50,000 to purchase an average priced home in California. Currently, the average professorial salary is $35,768 annually. Housing prices combined with high interest rates continue to harm the University's ability to recruit and retain faculty. While The Regents introduced several programs to assist faculty housing, the cost of home ownership continues to climb and only real salary growth can resolve the problem.

Faculty Benefits at the University of California and at the Comparison Institutions

The University provides a biannual report on the cost of faculty salaries and fringe benefits which includes four tables as shown in Attachment I. Table A-2 of Attachment I entitled Projected Difference in Fringe Benefits: UC and Comparison Institutions, projects the employer costs of selected benefits as identified in Table A-3 of Attachment I, at the University of California and at the comparison institutions for the 1983-84 fiscal year. The projection for University of California benefits does not include possible range adjustment, but includes merits and promotions. The projection for benefits of the comparison institutions is based on a fiveyear compound growth rate. In essence, these tables project comparable benefit cost rather than comparable benefits received.

Health insurance in California is considerably more costly than similar coverage in most of the comparison states. For example, Blue Cross coverage in 1981 for family plan option , which is similar in most respects to the plan offered by the University would cost $216.82 per month, including both the employer and employee contributions. Comparable costs at the University of Michigan would be $141.41; at Cornell, $91.13; and at Harvard, $162.00. It should be pointed out that the benefits cost comparison does not provide a very accurate measure of the true relationship between University of California benefits and those of other comparison institutions.

The Regents have asked for a more careful analysis of the comparison between UC faculty benefits and those of the comparison institutions. Attachment II provides the summary of the major findings. Although the University of California offers an array of benefits similar to those of the comparison universities, there are some minor differences in various benefit types. Generally, the University of Calfornia provides an excellent array of quality benefits.

In addition to comparing UC faculty benefits with the comparison institutions, Vice President Kleingartner, in conjunction with the Systemwide Academic Senate Welfare Committee, has conducted an extensive survey of faculty attitudes toward current benefits. This survey showed a general satisfaction with current benefits programs. There were indications that these programs could be augmented and improved as indicated in Attachment III.

<u>Conclusion</u>

Faculty salaries are the highest priority for the University at this time. The lack of State resources has affected faculty morale and has hindered recruitment. This year, it is important that a strong commitment be made to correct inadequacies in the University faculty salaries.

(Attachments)

THE UNIVERSITY OF CALIFORNIA

OFFICE OF THE VICE PRESIDENT -- ACADEMIC AND STAFF PERSONNEL RELATIONS

FALL, 1982

TABLE A-1[1]

Projected Difference in Faculty Salaries: UC and Comparison Institutions

	Professor	Associate Professor	Assistant Professor	Average [5]
Comparison 8 Institutions [2]				
1981-82 Average Salaries	41,714	28,126	22,941	
1976-77 Average Salaries	28,828	19,524	15,509	
1983-84 Projected Salaries [3]	48,358	32,548	26,830	41,676
UC:				
1982-83 Average Salaries [4]	41,645	27,664	22,820	35,768
1983-84 Projected Staffing	3,138	1,087	744	
Percentage Increase Needed to adjust UC 1982-83 salaries to equal the projected 1983-84 average comparison salaries	16.12	17.65	17.57	16.52

1 Salary data excludes health sciences.

2 Comparison institutions: Cornell University, Harvard University, University of Illinois, University of Michigan (Ann Arbor), Stanford University, University of Wisconsin (Madison), Yale University, and SUNY-Buffalo. Computed from confidential data received from these comparison institutions.

3 Compound annual growth rate over the five-year period is used for the two year projection.

4 1982-83 average salaries adjusted to include merits and promotions to be effective 7/1/83.

5 Averages based on projected 1983-84 UC staffing pattern.

THE UNIVERSITY OF CALIFORNIA

OFFICE OF THE VICE PRESIDENT -- ACADEMIC AND STAFF PERSONNEL RELATIONS

FALL, 1982

TABLE A-2[1]

Projected Difference in Fringe Benefits: UC and Comparison Institutions

	Professor	Associate Professor	Assistant Professor	Average[4]
Comparison 8 Institutions:				
1981-82 Average Fringe Benefits[1]	7,945	5,481	4,478	
1976-77 Average Fringe Benefits[1]	5,100	3,571	2,954	
1983-84 Projected Fringe Benefits[2]	9,486	6,506	5,289	8,206
UC:				
1982-83 Average Fringe Benefits[3]	10,973	7,837	6,751	9,655
Percentage Adjustment needed to make UC fringe benefits equal to the 1983-84 projected average comparison fringe benefits	-13.55	-16.99	-21.66	-15.01
Less (adjustment for the effect of 16.52 salary range adjustment):				13.72
Net adjustment needed to achieve parity:				-28.73

1 Computed from confidential data received from comparison institutions.

2 Compound annual growth rate over the five-year period for each rank is used for the two-year projection.

3 Equivalent to an average of $1632.20 plus 22.43% of average salary.

4 Average based on projected 1983-84 UC staffing pattern.

THE UNIVERSITY OF CALIFORNIA

OFFICE OF THE VICE PRESIDENT — ACADEMIC AND STAFF PERSONNEL RELATIONS

FALL, 1982

TABLE A-4

Average Comparison Institution Salaries

Institution	Professor	Associate Professor	Assistant Professor
1981-82			
A	$45,132 (2)	$32,479 (1)	$25,078 (1)
B	35,681 (8)	25,705 (8)	22,123 (7)
C	41,804 (4)	29,426 (2)	22,418 (6)
D	44,796 (3)	27,093 (6)	21,195 (8)
E	39,104 (6)	28,096 (3)	23,076 (4)
F	39,723 (5)	27,897 (4)	22,786 (5)
G	38,987 (7)	27,350 (5)	23,300 (3)
H	48,486 (1)	26,960 (7)	23,554 (2)
Average	$41,714	$28,126	$22,941
1976-77			
A	$30,166 (3)	$20,751 (1)	$16,479 (1)
B	25,217 (8)	18,224 (8)	15,799 (3)
C	29,948 (4)	20,010 (2)	14,627 (7)
D	31,019 (2)	19,306 (6)	14,590 (8)
E	27,697 (6)	19,822 (3)	16,102 (2)
F	28,324 (5)	19,417 (5)	15,396 (6)
G	26,503 (7)	18,871 (7)	15,538 (5)
H	31,747 (1)	19,794 (4)	15,543 (4)
Average	$28,828	$19,524	$15,509

Confidential data received from comparison institutions include 9- and 11-month full-time salaries for all schools and colleges except health sciences.

ATTACHMENT III

Existing Program Most in Need of Improvement

Systemwide

Program	Percent
Retirement System Basic Plan	43%
Health Care Programs	17
No Preference	12
Additional Retirement Programs	11
Dental Program	4
Auto Insurance Program	4
Disability Insurance	2
Life/Death Insurance	2
Missing Data	6

Source: Faculty Benefits Survey, October 20, 1982

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